

Message Text

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ACTION EUR-25

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FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 612

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

UNCLAS STOCKHOLM 3018

E.O. 11652 N/A

TAGS: EFIN SW

SUBJECT: SWEDISH ELECTIONS - ECONOMIC ISSUES

REFS: STOCKHOLM'S 1950 AND 2851

1. HITTING HARD AT EMPLOYMENT ISSUE, CENTER PARTY LEADER FALLDIN ANNOUNCED ON AUGUST 24 A FIFTEEN-POINT PROGRAM TO "CREATE 100,000 NEW JOBS". THIS WAS APPARENT COUNTER TO GOVERNMENT'S MAJOR PROPOSAL TO ELIMINATE INDIVIDUAL CONTRIBUTIONS TO PENSION FUND, REPORTED IN STOCKHOLM'S 2851. FALLDIN'S PROGRAM WOULD BE DIRECTED TOWARD STIMULATING SMALL AND MEDIUM-SIZED COMPANIES BY (A) PROVIDING EASY LOANS FOR NEW ESTABLISHMENT AND EXPANSION OF EXISTING INDUSTRIAL PLANTS, (B) EXEMPTING FIRMS FROM FOUR PERCENT PAYROLL TAX OVER PERIOD OF THREE YEARS FOR PART OF PAYROLL CORRESPONDING TO NET INCREASE IN NUMBER OF EMPLOYEES, AND (C) ABOLISHING EMPLOYERS' CONTRIBUTION TO SUPPLEMENTAL PENSION SCHEME (AT PRESENT 8.2 PERCENT OF PAYROLL) FOR OLDER GROUPS OF EMPLOYEES.

2. PRIME MINISTER PALME AND SOCIAL DEMOCRATIC PRESS WERE QUICK TO CRITICIZE CENTER PARTY PROPOSAL. SPEAKING ON AUGUST 26, PALME INSINUATED THAT EXEMPTION FROM PAYROLL TAX FOR NEW JOBS MEANT THAT TAXPAYERS WOULD BE SUBSIDIZING VOLVO'S IMPORTS OF UNCLASSIFIED

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FOREIGN WORKERS WHILE SWEDES REMAINED OUT OF WORK. PALME CON-

VENIENTLY OMITTED THAT FALLDIN HAD SPECIFICALLY REJECTED ANY IMPORT OF FOREIGN WORKERS WHILE THERE WAS STILL UNEMPLOYMENT, AND ALSO THAT GOVERNMENT HAS FULL CONTROL OVER IMMIGRATION OF FOREIGN WORKERS THROUGH LABOR MARKET BOARD. FINANCE MINISTER STRANG ALSO GAVE STRONG ASSURANCE ON AUGUST 25 THAT GOVERNMENT WAS NOT FAVORING LARGE COMPANIES TO DETRIMENT OF SMALL AND MEDIUM SIZED FIRMS.

3. FALLDIN FOLLOWED UP JOB-CREATING PROGRAM IN ADDRESS IN HALMSTAD ON AUGUST 26 WITH STATEMENT ON SENSITIVE SUBJECT OF FOOD PRICES, WHICH SO FAR HAS BEEN BROUGHT INTO CAMPAIGN ONLY BY COMMUNISTS, WHO WANT TO ABOLISH VALUE-ADDED TAX ON ALL FOODS. ABOLISHMENT WOULD COST COUNTRY BETWEEN 4 AND 5 BILLION KRONOR (ABOUT \$1 BILLION). FALLDIN PROPOSED STAGED REMOVAL OF "PRICE-INCREASING EFFECT" OF VAT ON STAPLE FOODS. HE SAID THAT GOVERNMENT SHOULD SURRENDER TAX REVENUE, IN AN AMOUNT CORRESPONDING TO VAT REVENUE ON FOODS, IN ORDER TO LOWER PRICES FOR CONSUMER. THIS, HE ARGUED, WOULD AVOID ADMINISTRATIVE DIFFICULTY OF HAVING SEVERAL VAT RATES AND WOULD NOT INFLUENCE PRICES FARMERS GET FOR THEIR PRODUCTS. FALLDIN DID NOT SPECIFY HOW THIS MEASURE COULD BE FINANCED.

4. GOOD INDICATOR OF SOCIAL DEMOCRATIC PARTY LINE IS POSITION TAKEN BY UNION LEADERS AT CURRENT CONGRESS OF METAL WORKERS UNION, SWEDEN'S LARGEST LABOR UNION. GOVERNMENT'S DECISION (CITED ABOVE) TO SHIFT PENSION FUND CONTRIBUTIONS FROM INDIVIDUALS TO COMPANIES FOLLOWED PROPOSALS TO THAT EFFECT BY METAL WORKERS. IN SPEECHES TO CONGRESS, METAL WORKERS' CHIEF BERT LUNDIN AND LO CHIEF GUNNAR NILSSON WERE IN FULL AGREEMENT ON NEED FOR CONCERTED LONG-RANGE ECONOMIC PLANNING TO ACHIEVE FULL EMPLOYMENT DURING REMAINDER OF DECADE. BOTH ALSO AGREED THAT THIS COULD NOT BE LEFT IN HANDS OF PRIVATE SECTOR, NILSSON SAYING: "I CONSIDER THAT STATE MUST OBTAIN MUCH GREATER MEANS TO CONTROL AND DIRECT DEVELOPMENTS IF UNION'S PLANS ARE TO BE REALIZED", AND LUNDIN SAYING "WE MUST UNDERSTAND THAT INDUSTRY BY ITSELF CANNOT BE RESPONSIBLE FOR ALL ADDITIONAL JOBS."

5. COMMENT: UNEMPLOYMENT AND TAXES THUS CONTINUE TO BE MAIN ISSUES IN ELECTION CAMPAIGN. CENTER PARTY PROPOSALS ARE VAGUE AND WOULD PROBABLY IN ANY EVENT HAVE ONLY LIMITED IMPACT
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ON EITHER EMPLOYMENT OR TAX BURDENS. SOCIAL DEMOCRATS ARE TAKING THEM SERIOUSLY, HOWEVER, AS EVIDENCED BY STRIDENT COUNTER-ATTACK ESPECIALLY AGAINST NEW JOBS SLOGAN.
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